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IDAHO DEPARTMENT OF HEALTH & WELFARE

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All Senate Health and Welfare Committee Members
All House Health and Welfare Committee Members
All Joint Finance and Appropriation Committee Members

Dear Committee Member:

Pursuant to the requirements of House Bill 190, passed by the 2005 Idaho Legislature, the Department engaged Johnson, Villegas-Grubbs and Associates LLC (JVGA) to assist in establishing a methodology for reviewing and determining Medicaid reimbursement rates to private businesses providing community-based services. Those included in the community-based services study were mental health clinics, developmental disability agencies, service coordination providers, mental health rehabilitation providers, residential habilitation agencies, independent residential habilitation providers (also known as certified family home providers), and supported employment services providers.

JVGA's proposal to Idaho was to implement the Arizona Model to standardize rate setting and development. The Arizona Model, which is a Staff Support Hour (SSH) rate approach, is designed to establish a fair and equitable process for establishing rates based on actual market costs.

In applying the SSH approach, four standard cost components are assumed to be common to all of the services included in the study. These components are 1) Direct Services Staff Wage, 2) Employment-Related Expenditures, 3) Program-Related Expenditures and 4) General and Administrative Expenditures.

The process began with a series of meetings between JVGA staff and providers. Provider group representatives were invited to voluntarily participate in the rate study. The process and rate setting methodology was explained to the provider representatives at these meetings.

The rate development methodology included a ten-step process:

- ◆ Determining and validating the four cost categories
- ◆ Gathering financial data from a representative sample of service providers
- ◆ Organizing and Analyzing Data so cost components could be compared in a consistent manner across providers
- ◆ Reviewing standards to reflect provider qualification levels
- ◆ Establishing Direct Service Staff Wage Profile using the Bureau of Labor Statistics to identify prevailing market wages paid by providers in the area
- ◆ Determining Employment-Related Expenditures Percentages
- ◆ Setting General and Administrative Compensation Level
- ◆ Synthesizing Components into Draft Rate including adjustments for acuity
- ◆ Performing Budget Impact Analysis and Finalize Rates
- ◆ Study rate Impact by Provider

The JVGA report details each of these steps, provides a detailed description of services, and includes provider recommendations to streamline operations.

In addition to the rate study conducted by JVGA, the Department also contracted with EP&P Consulting to conduct a study comparing Idaho rates with rates established in other state Medicaid programs. Neighboring states such as Oregon, Washington and Utah primarily administer their Medicaid programs through managed care organizations and do not have comparable rate structures. Montana, Wyoming, North Dakota, South Dakota and New Mexico were selected as states that have similar demographics and Medicaid programs. Even with these similarities, the consultant found that the differences in the case-mix of clients, provider qualifications and local wages made the comparisons difficult. While inconclusive, it appeared that Idaho was generally found to be in the low to middle range for rates across the study.

The Department will bring the following recommendations before the Health & Welfare Germane Committee for consideration:

1. Adopt Arizona Model as Idaho's reimbursement methodology for reviewing and setting rates on an annual basis. The Department believes that this recommendation provides transparency in the rate setting methodology.
2. Adjust service rates to reflect the conclusions of the analysis that results in a projected budget impact of \$4 million. Adjustments reflect both increases and decreases at the service code level.
3. Adjust school based service rates that are currently aligned with private community-based services that results in a projected budget impact of \$605,000.

The following table depicts conclusions of the rate analysis by service category.

MENTAL HEALTH CLINICS	\$ (1,526,795.12)
REHAB MENTAL HEALTH SERVICES	\$ 493,440.14
MENTAL HEALTH (Service Coordination for Adults)	\$ 160,134.38
DEVELOPMENTAL DISABILITY CENTERS	\$ (2,505,729.13)
DD CASE MANAGEMENT (Service Coordination for Adults)	\$ (94,618.44)
EPSDT (Service Coordination for Children)	\$ (231,456.62)
RESIDENTIAL HABILITATION- AGENCY	\$ 5,720,218.96
RESIDENTIAL HABILITATION – INDEPENDENT (Certified Family Homes)	\$ 2,200,959.60
SUPPORTED EMPLOYMENT SERVICES	\$ (193,275.82)
SUBTOTAL	\$ 4,022,877.95
SCHOOL BASED SERVICES EFFECT	\$ 605,341.77
TOTAL	\$ 4,628,219.72

To obtain a copy of the consultants' reports, contact Gynna Loper at 208-364-1994, or email at loperg@idhw.state.id.us.

Should you have any questions, please feel free to contact me at 208-364-1812.

Sincerely,

LESLIE M. CLEMENT, Administrator
Division of Medicaid

LMC/sp/ks

Enclosure: rate adjustment at procedure code level

cc: Richard Schultz, Deputy Director of Department of Health & Welfare
Larry Tisdale, Bureau of Financial Operations